

CALIFORNIA TRANSPORTATION COMMISSION AIRSPACE ADVISORY COMMITTEE MEETING

Monday, November 4, 2002
9:30 a.m. - 12:00 p.m.

Video Conference
From
Caltrans' Districts 4, 7 and 12

MINUTES

Nina Gruen, Chair, called the meeting of the California Transportation Commission's Airspace Advisory Committee to order at 9:32 a.m. on November 4, 2002.

Those in attendance were as follows:

Committee Members:	N. Gruen – Chair (D-4), B. Hauf - Vice Chair (D-12), R. Payne (D-4), W. Mosher (D-7), M. Ross (D-7)
Commissioner:	A. Lawrence (D-7)
Commission Staff:	K. Jacobs (D-4)
Caltrans Staff:	P. Schultze (D-4), B. Wilson (D-4), S. Ikeda (D-4), Greg Lundblad (D-4), Chuck Crosby (D-4), Len Nelson (D4)
Guests:	Steve Roach – consultant (D-12), Gary Baylor – Developer (D-12), Jim Allen Developer (D-12)
Those absent:	John Glassmoyer, George Moss, Peter Inman, Wylie Greig, Jack Nagle

The meeting adjourned at 12:24 p.m.

Proceedings:

Item 1. Committee Business

Nina asked each person in attendance at each of the videoconference sichts to introduce him or herself.

Discussion regarding the date for the January 2003 meeting took place and January 9, 2003 was the date that best suited each person's schedule.

Nina let the Committee know that she'd be attending the Commission's December 2002 meeting to present the Committee's accomplishments for 2002.

Item 2. Approval of August 2002 Minutes

The minutes were presented for approval.

Roslyn Payne moved to approve the minutes without discussion. Committee member Michael Ross seconded the motion, which carried 5-0 (John Glassmoyer, Peter Inman, Jack Nagle, George Moss, and Wylie Greig were absent).

Item 3. Rio Courtyard, LLC – Airspace - Request to Amend Lease Terms

Peter Schultze, Headquarters Right of Way, discussed the amendment to the lease. The developer was present at the District 12 videoconference site. It was discussed that they intent to build a 4-story, 475,000 square foot building very similar to the building planned by the current lessee. The airspace site would be used for surface parking and improvements would include: landscape, asphalt and light standards.

Roslyn asked if the net lease amount would cover the insurance, etc. Peter said yes, it would. Roslyn also wanted to know if the underlying earth conditions of this property will be documented. Again, Peter said yes. Roslyn then asked if there was a new appraisal. Peter responded that there hasn't been a formal appraisal but the Department feels they have a good handle on the value. The Department had checked the area and a fee-owned parcel sold for \$21.70 a square foot (SF). The highest was \$37.00 per SF and the low was between \$16 and \$21 a SF.

Roslyn likes the idea of getting a property development comparison. She hopes to ensure that the State is getting reasonable funds and would like something in writing to be sure that it's a fair economical transaction.

Bill Hauf asked if Conrock has been successful in their development and if it's the same company we're dealing with here. Mr. Developer answered – No, they paid \$21.70 for the adjacent parking. Bill wanted to know if anyone had a problem with the strip being landlocked. There's approximately a 40 to 60 foot strip that is landlocked. Peter discussed the parcel and how unique it is.

Bill Hauf led a discussion on whether the landlocked situation affected the price. He wanted to know if the soil could be corrected and is the term only for this parcel and not for the other site. Peter Schultze said that the Department has tried to alleviate some of the soil problems by bringing in quite a bit of new soil.

Steve Roach, consultant, said there are two issues regarding the soil: 1) getting the property out of a flood plan; and 2) all indications are that while improving the site they can expect to find quite a bit of debris from the I 805 work.

Bill Hauf asked if there was a cost estimate for the clean up and if correcting the soil problem would allow for a better lease rate. He'd like better information regarding this issue. Bill would also like an opinion on what the market value would be if access were possible.

Peter Schultze reviewed a file and in 1982 the site was in a flood channel, the cost to the State would be prohibitive and they've already used 60 yards of fill in order to make the site useful.

Peter reminded the Committee that the parcel is already under a lease. The current lessee no longer has interest in constructing a building on the adjoining site. They have sold the adjoining site to the developer. The current lease is \$1,000 per month, and the new proposal is \$5,000 per month. The Department expects that unless this transaction is approved the current lessee will walk away from the lease and the Department would end up with \$0 since the site is landlocked and the developer is the only interested party.

Roslyn said she's sympathetic to his concerns but agrees with Bill that she can't vote yes until she sees better documentation of the current value.

Bill Hauf said that he's not trying to say that it's not doable, the question is valuation. Is the proposal the appropriate price? He doesn't want to delay the transaction but he needs more information.

Nina said that this is a critical issue. Can the site be safe for anything but surface parking? Will the primary evaluation be based on surface parking because anything else would be too costly?

Bill said that liability could also be an issue. He'd like to have something that documents liability. Nina said that insurance is very expensive.

Peter agreed but said that the Department unfortunately gets sued all the time. The appearance is that they have deep pockets so the Department carries insurance on all these types of leases, etc.

Steve Roach, consultant, said that they've agreed to pay seven cents a SF per month, other Mission Valley leases have been going for between five-cents and seven-cents, the lease provides reevaluation provisions in terms of valuation. The lease prohibits construction or building on the site, as nearly 100% is freeway structure covering the land. It would never be a desirable site to put an office building on it.

Bill Hauf asked what the requirements or restrictions are for building under a structure. Someone answered that the Department no longer allows structures to be built in their airspace.

Commissioner Lawrence said that it was unfortunate that the Department's information didn't give a good idea of the parcel and what it really looks like. In the future the Department needs to provide something that gives everyone a better flavor of the parcel.

Several people started talking at the same time and I could keep up with the different conversations.

Roslyn agreed that the Department needs to do a better job with the graphics. Then moved the following: 1) wait until the January meeting to make a decision when better information is available; 2) if approved only if the term has a reevaluation clause that completion of the project or 2 years.

The Rio Courtyard Developer said that the property they're proposing to purchase has fallen out of escrow six times and that the site is not that developable.

Roslyn restated her motion and added that everyone needs to keep in mind that valuation goes up and down and they take that chance. She wants this to be a fair deal.

Rio Courtyard, said he'd agree to the reevaluation, if it's valued for parking only and does not include the building site. He also said that they cannot wait until January, they need to move forward now.

Roslyn wanted to know if the only way to build a structure under the freeway is to change policy. Barry answered that the Department will not allow structures under the freeway.

Roslyn wants to make sure that as long as there's a freeway then the parking valuation is acceptable but should the freeway come down then the reevaluation would need to include other options. Roslyn gave a hypothetical situation: An act of God brings the freeway structure down and the government decides not to rebuild then the use for the property would be different, use could change.

Steve Roach explained that the financier need know what the terms are now, not two years from now.

Roslyn proposed the following: 1) wait until January, staff comes back with written documentation that verifies the value; 2) vote now with reevaluation in terms of economics at this time; however, if the highway comes down then the site gets reevaluated.

Rio Courtyard, said no to Roslyn's first proposal; and said he could agree to number two with the caveat that the use is for parking.

Bill Hauf remarked that he's still unclear about the value and liability if something happens. Is the State liable? He also said he didn't like the idea that there aren't any comps and he hasn't heard a good case why to go with this.

Roslyn moved the following: 1) approve the proposed lease with the modification of written verification from Department staff on the economics and comparable lease rental rates for parking; 2) lease go through a reevaluation in 2 years with the understanding its for surface parking; and 3) should the freeway go away, reevaluation for the highest best use.

Commissioner Lawrence asked who Steve Roach represented. Peter said he was there to represent the developer but that Caltrans acknowledges that he does do appraisals for the Department.

Commissioner Lawrence then asked how many parking spaces would be provided. Approximately 352 spaces inclusive on the 1.7 acres. Approximately 150 at about \$30 per space.

Bill Hauf seconded the motion.

Micheal Ross asked if the developer was agreeable.

Peter Schultze asked for clarification – is the cycle of reevaluation in 2 years with the same terms and conditions.

Roslyn modified her motion but I didn't catch it. Michael Ross stated that he doesn't believe that the Committee should continue to second guess the Department staff. They work on these transactions on a daily basis and are experts in the field.

NOTE: After the meeting and for several days later clarification regarding the vote took place. The item that was being voted was to change the term of the lease to an additional 30 years only. The negotiated lease amount was not part of the action. Eventually, a phone and/or e-mail vote took place and the item was approved.

Item 4. 2002-03 Asset Management Business Plan

Chuck Crosby, Caltrans, discussed the 2002-03 Asset Management Business Plan. Nina asked if there was a process in place that identifies all the Department's assets. Chuck said yes, that the assets are ranked but that they don't want things identified by there value. They are developing criteria for utilization.

Commissioner Lawrence asked if asset management ties back into property management. Chuck answered that right of way is project oriented and asset management is more long-term

Nina Gruen questioned that the Asset Management branch didn't have any sales of more than \$2 million. Chuck responded that many of the transactions are handled through Department of General Services (DGS). Nina also said that she wants the reports to start with accomplishments from the prior year and acknowledge what they're still working on.

Commissioner Lawrence said that they need IT onboard and that they don't use completely new technology when it can be tied to other systems. Chuck said that DGS only has what the law requires them to have but that Caltrans wants something that has management control as well as what's required by law.

Item 5. Guidelines for Leasing to Public Transit Agencies

Barry Cowen, Chief, Real Property Services and Excess Lands, presented the item. This is an item that has been under discussion for over a year and has returned to the Committee on at least four separate occasions. In order to meet the Director's mandate to assist transit agencies by allowing a less than market rate for transit projects in airspace it has been determined that the best overall way to handle the various types of projects would be to give transit agencies a 20% discount of the appraised market rate for those sites that a transit agency would have a transit project implemented.

Commissioner Lawrence said that each of the requests for a discount would be brought to the AAC and the AAC would make a recommendation to the CTC.

Barry said that the Department would continue to use the standard procedures of: 1) appraisal; and 2) analysis of the information.

Michael Ross moved to provide a 20% reduction to the fair market value to transit agencies. Nina Gruen seconded the motion.

Note: Roslyn Payne left the meeting at 11:34 and her vote was needed. I contacted Roslyn via e-mail after the meeting for her vote. The item passed – 5 to 0.

Item 6. Airspace/Wireless Program Annual Report

Bruce Wilson presented this item and discussed that the wireless revenues are paid annually and that the payment is usually made on July 1 each year. There are now 110 sites as opposed to the 105 in last year's report. District 4 makes up approximately half the airspace wireless revenue.

Item 7. Airspace Security Update

Len Nelson, Emergency Planning Branch, presented this item. Bill Hauf asked if there was some reason that the Department hasn't assigned an expert to security issues. Len said that he's suggested to upper management that someone within the Department that is in upper management be the central point of contact. The suggestion went to the Business Transportation and Housing Agency (BT&H) and for an unknown reason the suggestion was rejected, perhaps because it would require an increase of 2 people.

Bill Hauf said that he'd support the suggestion. It seems like there should be a person that's the focal point.

Commissioner Lawrence said that it's obvious that there should be something, but where do you begin. Caltrans has 11 critical structures and maybe Caltrans needs some

assistance in elevating the suggestion. Commissioner Lawrence recommended that the subject be investigated further. Caltrans would better understand more than anyone their needs. Caltrans should work with someone in this field.

Len agreed and said that right after September 11, 2001, things started to happen and then slowed. He says that Caltrans needs a focal point of contact in Maintenance, Facilities, Structures, and IT.

Bill Hauf said that the Governor would want someone, it'd help to have an advisor. It seems there should be more attention given.

Commissioner Lawrence said that the Governor has a full time security person looking at security globally. Len said yes, that it's the Office of Emergency Services. Commissioner Lawrence said that the Department should have someone assigned to interface with the Governor's security office and OES.

Len said that there really hasn't been a coordinated effort. He'd recommend one person to coordinate with the different divisions within Caltrans and that person should be at least at the CEA 1 level.

Commissioner Lawrence suggested that rather than in a public forum this could be discussed with John Ferrera to see if there could be something done. Commissioner Lawrence asked for an update at the January meeting.

Note: After the meeting Kathie Jacobs contacted BT&H in regards to the security issue. There are ongoing discussions and incremental regulations being put into place as issues are worked through.

8. Fiber Optics Program Update

Peter Schultze, HQ Right of Way, said that he's still working with the program. That there is some litigation with SBC (PacBell) on fiber optics issues in District 1. It's been filed in court but so far it hasn't been successful.

Bill Hauf asked that Peter report back at the next meeting. Peter said he'd give an update at every meeting and that Mr. Bucaria will attend the next meeting.

Nina Gruen asked what the court date was. Peter wasn't sure.

9. Caltrans Land Management System (CLMS)

Greg Lundblad presented the item. Greg said that not too much had been happening with the CLMS. He's sitting on a committee to put together an integration system.

Commissioner Lawrence said that the report indicated some one time costs. Greg said that the costs of a contractor to come in and work hand in hand with the in-house IT people are lumped in that category.

Michael Ross asked if they were still looking at the State of Virginia. Greg said that's still the first choice but it depends on the budget. Any recommendation would need to be backed up by a feasibility study.

Nina asked that Greg keep the committee informed as decisions are made. Greg agreed.

10. Excess Lands – Major and Sensitive Transactions

Barry Cowan, Chief, Office of Real Property Services and Excess Lands, presented this item.

Commissioner Lawrence mentioned the Roberti bill and asked if there were properties that may be worth more than \$1 million but due to the bill would go for less. Barry said yes.

Commissioner Lawrence asked if these were rehabilitated properties. Barry responded that some are and some aren't. The Department is still looking at it.

Commissioner Lawrence then discussed the Roberti bill for the Committee members and that it provides for tenants to purchase at below market rate depending on the tenants income. This bill passed 20 years ago. Commissioner Lawrence asked Kathie Jacobs to check with John Ferrara to see where we're at with this old bill.

Bill Hauf asked if the AAC could do anything. Commissioner Lawrence said that the Roberti bill wasn't intended to do what it's doing. The AAC benefits all of California by providing equity to the general public.

Nina Gruen recommended that everything slow down and possibly suspend sales until the bill is reviewed for its actual impacts and the perception of undue enrichment in utilizing the bill.

Commissioner Lawrence is surprised that they're making sales under the Roberti bill. He asked if the properties were truly excess. He doesn't want to have to buy them back later. Barry answered that they're all excess.

Bill Hauf asked if there would be problems with suspending the sales. Commissioner Lawrence wasn't sure. He will talk to John Ferrara.

Bill Hauf moved to adjourn the meeting at 12:24 p.m. Michael Ross seconded the motion.